

**DEPARTMENT OF MENTAL HEALTH,
RETARDATION AND HOSPITALS
COMMUNITY COUNSELING CENTER, INC.
REPORT ON CONTRACT COMPLIANCE
FISCAL YEAR ENDED JUNE 30, 1999**

**DEPARTMENT OF ADMINISTRATION
BUREAU OF AUDITS
ONE CAPITOL HILL
PROVIDENCE, RI 02908-5889**



STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS

Department of Administration
BUREAU OF AUDITS
One Capitol Hill
Providence, R.I. 02908-5889
TEL #: (401) 222-2768
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Department of Mental Health, Retardation and Hospitals

Community Counseling Center, Inc.

REPORT ON CONTRACT COMPLIANCE

For the Fiscal Year Ended June 30, 1999

EXECUTIVE SUMMARY

The prior audit report for Community Counseling Center, Inc., issued March 22, 2000 by the Bureau of Audits, had three recommendations which were complied with.

Based on our contract compliance engagement for the fiscal year ended June 30, 1999 we determined the following:

1. There were unauthorized excessive budget line item variances in the Community Support and Related Services Program.
2. There was an instance of non-compliance with the management of the Representative Payee Program.
3. The Center's CPA audit report for fiscal year ended June 30, 1999 applied MHRH Adult General Outpatient program revenue to another program, which was not in compliance with Departmental regulations that require CPA reports to report full disclosure of all revenues by program.

DEPARTMENT OF MENTAL HEALTH, RETARDATION AND HOSPITALS
COMMUNITY COUNSELING CENTER, INC.
FISCAL YEAR ENDED JUNE 30, 1999

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February 12, 2001

Ms. A. Kathryn Power, Director
Department of Mental Health, Retardation and Hospitals
Barry Hall - 2
600 New London Avenue
Cranston, RI 02920

Dear Ms. Power:

We have completed an audit of the contracts between the Department of Mental Health, Retardation and Hospitals (MHRH) and Community Counseling Center, Inc., for the fiscal year ended June 30, 1999.

The findings and recommendations included herein have been discussed with management and we have considered their comments in the preparation of our report. Section 35-7-4 of the General Laws requires the director of the department audited to respond in writing within sixty days to all recommendations made by the Bureau of Audits. A copy of your reply should also be sent directly to Robert L. Carl, Jr., Ph.D., Director, Department of Administration and to the Honorable Antonio J. Pires, Chairman of the House Finance Committee and to the Honorable Frank T. Caprio, Chairman of the Senate Finance Committee.

We wish to express our appreciation to the officials of the Department of MHRH and to the director and staff members of Community Counseling Center, Inc., for the assistance, cooperation and courtesies extended to us during the course of this examination.

Sincerely,

Stephen M. Cooper
Stephen M. Cooper, CFE, CGFM
Chief, Bureau of Audits

SMC:pb

DEPARTMENT OF MENTAL HEALTH, RETARDATION AND HOSPITALS
COMMUNITY COUNSELING CENTER, INC.
FISCAL YEAR ENDED JUNE 30, 1999

SCOPE AND PURPOSE

The purpose of this engagement was to determine compliance with your department's Rules, Regulations and Standards for Funding of Matching Grant Programs in Community Mental Health Centers to the Matching Grant Contracts and with the terms and conditions contained within the Community Support, Residential and Acute Alternative Services Contracts as to:

- whether revenues were matchable or nonmatchable;
- total matchable revenue used as the basis for funding fiscal year 2001;
- whether reported expenses were allowable and properly allocated;
- whether reported revenues were accurate; and
- any over or under funding on behalf of the Department of Mental Health, Retardation and Hospitals.

Our audit of the financial records included verification of revenues and expenses through testing procedures to the extent we deemed necessary in the circumstances. Occupancy requirements and resident contributions were examined for adherence to contract specifications. Client fund management was reviewed for conformance with applicable policies and guidelines.

DEPARTMENT OF MENTAL HEALTH, RETARDATION AND HOSPITALS
COMMUNITY COUNSELING CENTER, INC.
FISCAL YEAR ENDED JUNE 30, 1999

BACKGROUND

Section 40.1-8.5-6 of the General Laws of the State of Rhode Island authorizes the Director of the Department of Mental Health, Retardation and Hospitals (MHRH) to make grants to community mental health boards to provide mentally disabled children and adult services which shall include but not be limited to psychiatric, medical, nursing, psychological, social, rehabilitative and support services provided in the prevention, diagnosis, treatment and follow-up of mental disabilities, and in addition, may include those services designed to prevent mental disabilities or be of a consultative, informational or educational nature about mental disabilities. It is under this authorization that Community Counseling Center, Inc., operates.

It is the intent of the law that an individual's eligibility to receive any public or private assistance be exhausted prior to the expenditure of state and local monies.

The Center's administrative offices, which are leased from the State of Rhode Island, are located at 1516 Atwood Avenue, Johnston, Rhode Island.

The Center owns buildings at 101-103 Bacon Street, Pawtucket, R.I., which houses the Valley Day, Children's Intensive Services, Psych Rehabilitation Services, IPS Program, Outpatient Medication Maintenance, Valley Community School Programs, Case Work and the Mobile Treatment Team.

On July 1, 1995 the Center and its affiliates became affiliates of Gateway Healthcare, Inc., a nonprofit regional corporation.

The Center is governed by a board of directors consisting of not more than 21 nor less than 15 individuals elected annually.



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Ms. A. Kathryn Power, Director
Department of Mental Health, Retardation and Hospitals
Barry Hall - 2
600 New London Avenue
Cranston, RI 02920

Dear Ms. Power:

We have performed the procedures enumerated below, which were agreed to by the Department of Mental Health, Retardation and Hospitals (MHRH) and Community Counseling Center, Inc. (Center), solely to assist the users in evaluating management's assertion about the Center's compliance with the Division of Behavioral Health's Rules, Regulations and Standards for Funding of Matching Grant Programs in Community Mental Health Centers to the Matching Grant contracts and with the financial terms and conditions contained within the Community Support, Residential and Acute Alternatives Services contracts during the fiscal year ended June 30, 1999, included in the accompanying Report on Contract Compliance. This agreed-upon procedures engagement was performed in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the specified users of the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

For purposes of this engagement we tested compliance with the above mentioned specified requirements for determining matchable revenues, allowable costs, accuracy of reported activities and any excess funding on behalf of MHRH. Based on the application of the procedures referred to above, we became aware of an instance of noncompliance with the Community Support, Residential and Acute Alternatives Services contract with the Center for the fiscal year 1999. Deficiencies were noted with management of client funds. These matters are discussed in the accompanying "Findings and Recommendations" section of this report.

We were not engaged to, and did not, perform an examination, the objective of which would be the expression of an opinion on management's assertion. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the use of MHRH and the Center and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. However, this report is a matter of public record and its distribution is not limited.

Sincerely,



Stephen M. Cooper, CFE, CGFM
Chief, Bureau of Audits
May 25, 2000

SMC:pb

DEPARTMENT OF MENTAL HEALTH, RETARDATION AND HOSPITALS
COMMUNITY COUNSELING CENTER, INC.
STATEMENT OF REVENUES AND EXPENSES
FISCAL YEAR ENDED JUNE 30, 1999

	Community Support, Residential, and Acute Alternatives	Adult General Outpatient	Other Programs	Title XIX Medicaid	Total
<u>Revenues</u>					
MHRH	\$ 85,990	143,010	-	-	229,000
DCYF	-	-	775,918	-	775,918
Other Funding Sources	110,671	99,275	11,675	-	221,621
Title XIX Medicaid	-	-	-	7,053,369	7,053,369
Municipalities	60,409	-	3,119,459	-	3,179,868
Contributions-Net	2,012	-	27,763	-	29,775
Third Party Reimbursements	29,462	-	3,765	-	33,227
Resident Fees	18,306	-	-	-	18,306
Program Fees	128,640	350,980	33,472	-	513,092
Interest	4,008	-	-	-	4,008
Total Revenues	\$ 439,498	593,265	3,972,052	7,053,369	12,058,184
<u>Expenses</u>					
Personnel	\$ 4,011,487	406,005	3,595,359	-	8,012,851
Operating	1,791,353	138,705	1,693,893	-	3,623,951
Purchased Equipment	31,978	-	31,530	-	63,508
Total Expenses	\$ 5,834,818	544,710	5,320,782	0	11,700,310
<u>Other Financing Sources (Uses)</u>					
Intrafund Transfer-Title XIX-Medicaid	\$ 4,649,914	-	2,403,455	(7,053,369)	
Excess (Deficiency) of Revenues Over Expenses	\$ (745,406)	48,555	1,054,725	0	357,874

See accompanying notes to financial information.

:SP-6A

EXHIBIT B

DEPARTMENT OF MENTAL HEALTH, RETARDATION AND HOSPITAL
COMMUNITY COUNSELING CENTER, INC.
STATEMENT OF OPERATIONS - TITLE XIX PROGRAM
FISCAL YEAR ENDED JUNE 30, 1999

<u>Beginning Balance</u>	\$	0
Revenues Received Designated for Programs		<u>7,053,369</u>
<u>Revenues Applied:</u>		
Community Support and Related Services		4,649,914
Other Programs		<u>2,403,455</u>
Total Applied		<u>7,053,369</u>
<u>Ending Balance</u>	\$	<u>0</u>

See accompanying notes to financial information.

:SP-6B

DEPARTMENT OF MENTAL HEALTH, RETARDATION AND HOSPITALS
 COMMUNITY COUNSELING CENTER, INC.
 STATE MATCHING PROGRAM
 DETERMINATION OF OVER (UNDER) PAYMENT OF STATEMATCHING FUNDS
 FISCAL YEAR ENDED JUNE 30, 1999

State Funds Allocated:

Adult General Outpatient Services	\$ 143,010	
Community Support, Residential and Acute Alternatives	<u>143,010</u>	<u>286,020</u>

Matchable Revenue-Fiscal Year Ended June 30, 1997		<u>1,240,072</u>
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Determination of Over (Under) Payment of State Funds:

State Funds Allocated (Note 2)		286,020
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Deduct lesser of:

(a) Applicable Percentage of Matchable Revenues	286,020
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(b) State Funds Allocated	286,020
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Maximum Support - Lesser of A or B (Note 3)	<u>286,020</u>
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Over (Under) Payment of State Matching Funds	\$ <u>0</u>
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See accompanying notes to financial information.

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DEPARTMENT OF MENTAL HEALTH, RETARDATION AND HOSPITALS
COMMUNITY COUNSELING CENTER, INC.
FISCAL YEAR ENDED JUNE 30, 1999

NOTES TO FINANCIAL INFORMATION

Note 1 - Significant Accounting Policies

Basis of Accounting:

The financial information is presented on the accrual basis of accounting which is in compliance with the Division of Behavioral Health Services Rules, Regulations and Standards for Funding of Matching Grant Programs in Community Mental Health Centers. Under this basis, revenues are recognized in the accounting period in which they are earned and expenses are recognized in the period incurred.

Note 2 - State Funds Allocated - Exhibit D

These amounts represent the total of the matching grants encumbered by the Department of MHRH for the operation of Community Counseling Center, Inc.

Note 3 - Maximum Support - Exhibit D

State funds allocated are subject to the lesser of the following:

- A. 23.065% of the matchable revenue for the fiscal year ended June 30, 1997.
- B. The maximum state funding as determined above cannot exceed the dollar amount originally allocated for the respective fiscal year.

Note 4 - Other Programs

This account represents funding from sources other than MHRH - Division of Behavioral Services.

DEPARTMENT OF MENTAL HEALTH, RETARDATION AND HOSPITALS
COMMUNITY COUNSELING CENTER, INC.
STATE MATCHING PROGRAM
SCHEDULE OF MATCHABLE AND NONMATCHABLE REVENUES
FISCAL YEAR ENDED JUNE 30, 1999

State of Rhode Island

Adult General Outpatient Program	\$ <u>143,010</u>	
Total		143,010

Matchable Revenues

Local Communities	3,149,717	
Contributions & Fund Raising-Net	<u>30,025</u>	
Total Matchable Revenues (For Fiscal Year Ending June 30, 2001)		3,179,742

Nonmatchable Revenues

Community Support, Residential & Acute Alternatives	85,990	
Title XIX Program	7,053,369	
Client Fees	497,926	
Other Programs and Funding	1,064,677	
Third Party Reimbursements	29,462	
Interest	<u>4,008</u>	
Total Nonmatchable Revenues		<u>8,735,432</u>

Total Revenues (Exhibit A)		\$ <u><u>12,058,184</u></u>
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DEPARTMENT OF MENTAL HEALTH, RETARDATION AND HOSPITALS
COMMUNITY COUNSELING CENTER, INC.
FISCAL YEAR ENDED JUNE 30, 1999

STATUS OF PRIOR AUDIT RECOMMENDATIONS JUNE 30, 1998

Community Support, Residential, and Acute Alternatives

That MHRH officials should take steps to enforce and ensure that line item deviations are adhered to by providers in accordance with the above contract provisions and recover the added expenditures in accordance with contractual provisions stated above.

Resolved.

State Matching Program

2. MHRH officials should compare revenue submitted by providers with audited financial reports prior to determining revenue for matching purposes.

Complied.

Independent CPA Audit Report

3. MHRH officials should adjust their records and not match the overstated revenue of \$40,487 and not accept CPA audit reports that are erroneous and not in accordance with Departmental Rules and Regulations.

In process of complying.

DEPARTMENT OF MENTAL HEALTH, RETARDATION AND HOSPITALS
COMMUNITY COUNSELING CENTER, INC.
FISCAL YEAR ENDED JUNE 30, 1999

CURRENT YEARS FINDINGS AND RECOMMENDATIONS

Net Operations

Net operating results for the Center's programs for the fiscal year ended June 30, 1999 are summarized below:

Revenue Excess (Deficiency) - Exhibit A

<u>Program</u>	
Community Support, Residential, and Acute Alternatives	\$ (745,406)
Adult General Outpatient	48,555
Other Programs	<u>1,054,725</u>
Total Revenue (Deficiency)	<u>\$ 357,874</u>

Community Support, Residential, and Acute Alternatives

Excessive budget line item variances occurred in the Community Support, Residential, and Acute Alternatives contracts for the fiscal year ended June 30, 1999. Addendum II, Sections II-4 and 5 of the financial terms and conditions states in part:

"Any amendments to the approved budget detail on file with the DEPARTMENT, and included in summary fashion as part of this contract is required when: There is a line item deviation of 10% or \$5,000, whichever is greater...

"Spending beyond the budget without amendment will result in the disallowance of the added expenditure."

Line items in excess of 10% or \$5,000, whichever is greater are as follows:

<u>Line Item</u>	
General Supplies and Expense	\$ 12,257
Program Supplies and Expense	80,611
Utilities	22,327
Building space and Taxes	813
Insurance	61,688

The Center did not submit a line item budget amendment request to MHRH as required by the above State contract provisions.

Recommendation

1. MHRH officials should take steps to enforce and ensure that line item deviations are adhered to by providers in accordance with the above contract provisions and recover the added expenditures in accordance with contractual provisions as stated above.

State Matching Program

It was determined that there was no over or under payment of state matching funds during the period reviewed. (See Exhibit C)

Matchable Revenue was audited for fiscal year ended June 30, 1999 and is summarized as follows:

Municipal Revenue	\$ 3,179,868
Net-Contributions	<u>30,025</u>
Total Matchable Revenue	\$ <u>3,209,893</u>

Funds received in the fiscal year ended June 30, 1999 will be the basis for determining state funds allocated by the Department of MHRH for the fiscal year ending June 30, 2001.

Subsequent Event

On February 7, 2000 MHRH officials retroactively allowed Community Counseling Center, Inc., to transfer \$157,744 of its F/Y 1999 matchable municipal revenues to its affiliate Mental Health Services of Cranston, Johnston and Northwestern Rhode Island, Inc., to be added to its municipal matching revenues for F/Y 1999 to be matched by MHRH in F/Y 2001. The \$157,744 transfer was verified by a letter submitted by the Provider's independent auditor. These funds are to be solely used for matching purposes by MHRH and will not be a part of the financial information in this report nor will it appear in the Provider's independent audit report, according to the Provider's Finance Director.

Representative Payee Program

The Center manages, under the policies of the Social Security Administration's Representative Payee Program, Social Security and SSI payments to more than 55 clients.

During the course of our review it was determined that an individual bank account was not in both the name of the client and the Representative Payee as required by Social Security Administration Representative Payee Program Policy 00503.010 3.1 which states:

"The Preferred Account title is (name of Beneficiary) by (name of Representative Payee)"

Recommendation

2. MHRH officials should monitor and ensure compliance by the Provider with Social Security Representative Payee Policies.

Revenue Deficiencies

It is our understanding that each contract stands on its own and that any expenses in excess of the contracted amounts be absorbed by the provider.

During the period under review the following Division of Behavioral Health Services contract had a revenue deficiency (Exhibit A):

Community Support, Residential, and Acute Alternatives

\$ (745,406)